

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
WATER QUALITY DIVISION



WATER PERMITS SECTION
3033 North Central Avenue
Phoenix, Arizona 85012

FAX NUMBER (602) 207-4674

DATE: 12/5/01

TO: Martin Zelesnick

FAX NUMBER:

PHONE NUMBER:

FROM: Eric Wilson

PHONE NUMBER: (602) 207-4663

PAGES: Cover Sheet + 2

COMMENTS:

IF YOU HAVE ANY PROBLEMS WITH RECEIVING THIS FAX
PLEASE CALL: (602) 207-4675

Visit ADEQ Online

<http://www.adeq.state.az.us>

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Environmental links * Downloadable guidance documents

MERRILL MINING, LLC

PMB 315
3232 Cobb Parkway
Atlanta, Georgia 30339
404-495-9577 Fax: 404-495-9578

December 5, 2001

HAND-DELIVERED

Mr. Eric Wilson, Mining Unit Manager
Mr. Barry Rechterovich, Environmental Program Specialist
Arizona Dept of Environmental Quality
3033 North Central Avenue
Phoenix, AZ 85012

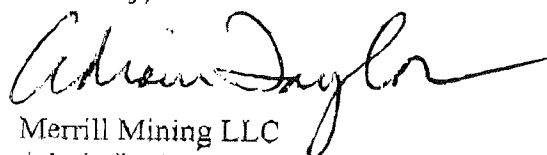
Re: Transfer of Aquifer Protection Permit (APP) NO. P-101704

Dear Mr. Rechterovich:

I am enclosing an executed standby trust agreement between Merrill Mining LLC (Merrill) and First American Title Company, and a copy of the executed standby letter of credit issued by Branch Banking and Trust Company. You will note that the director of the Arizona Department of Environmental Quality (ADEQ) is named beneficiary and that the letter of credit is in the amount of \$1,066,000, which is the amount agreed to by Merrill, ADEQ, and the United States Environmental Protection Agency (EPA) for the closure of existing wells and surface facilities at the Florence In-Situ Mining Project. The letter of credit will be effective on December 5, 2001, simultaneous with closing.

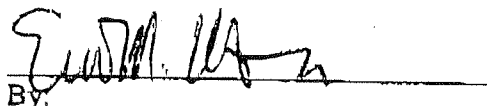
We understand that upon delivery of the original letter of credit and pursuant to our transfer request dated July 26, 2001, ADEQ will release BHP from its existing financial responsibility and will transfer the permit responsibility, coverage, and liability to Florence Copper, Inc., which as of closing will be wholly-owned by Merrill Mining LLC.

Sincerely,



Merrill Mining LLC
Adrain L. Taylor
Senior Vice President

Acknowledged and Agreed:


By: _____

Title: Mining Unit Manager
Date: 12/5/01

cc: Pamela Gates, Esq., Bryan Cave L.L.P.
John Perry, BHP Copper
Richard Bark, Gallagher & Kennedy
David Ramras, Ramras Law Offices
Jarrell Southall, Brown and Caldwell
Michael Rice, Arizona State Land Department
Paul Catanzariti, ASMI

**Branch Banking & Trust Co.**

One Atlanta Plaza
950 East Peach Ferry Rd., Ste. 2575
Atlanta, GA 30326
(404) 442-5000
Fax (404) 442-5086

Standby Letter of Credit
No. 9540904550-00001

Applicant:
Merrill Mining, LLC
3232 Cobb Parkway, PMB 315
Atlanta, GA. 30339

Beneficiary:
Director of Arizona Department of Environmental Quality
Water Quality Division - Mining Unit
3033 North Central Avenue
Phoenix, AZ. 85012

Amount:
USD1,066,000.00

Date and Place of Expiry:
December 4, 2002
At our counters

Dear Sir or Madam:

We hereby establish our Irrevocable Standby Letter of Credit No. 9540904550-00001 in your favor, at the request and for the account of Merrill Mining, LLC, 3232 Cobb Parkway, PMB 315, Atlanta, GA. 30339, up to the aggregate amount of \$1,066,000.00 (One Million sixty six thousand and 00/100 US Dollars), to cover closure and post closure costs on the following discharging facility:

Name of Facility: Florence In-Situ Mining Project

Address: 14605 East Hunt Highway
Florence, AZ. 85232

The Letter of Credit will be available upon presentation by the Director of the Arizona Department of Environmental Quality.

- (1.) A sight draft bearing reference to this letter of credit number 9540904550-00001, and,
- (2.) A signed statement signed by an authorized officer of the beneficiary on beneficiary's letterhead reading as follows:

"I certify that the amount of the draft is payable pursuant to regulations issued under authority of the Resource Conservation and Recovery Act (RCRA) of 1976, as amended and the Arizona Revised Statutes, Title 49, The Environment; Chapter 2, Water Quality Control; Article 3, Aquifer Protection Permits and the Arizona Department of Environmental Quality Aquifer Protection Permit Program."

Branch Banking and Trust Co. Letter of Credit No. 9540904550-00001

Page 2

Permit Number AAP No. P-101704

This letter of credit is effective as of December 5, 2001, and shall expire on December 4, 2002.


Partial drawings are allowed.

It is a condition of this letter of credit that it is deemed to be automatically extended without amendment for period(s) of one year each from the current expiry date hereof, or any future expiration date, unless at least one hundred twenty (120) days prior to any expiration date, we notify you and Merrill Mining, LLC, by certified mail, return receipt requested, at the above listed addresses, that we elect not to consider this Letter of Credit renewed for any such additional period.

Any such notice shall be effective when sent by us and upon such notice to you, you may draw within 120 days prior to the then current expiration date, up to the full amount then available hereunder, against your draft(s) drawn on us at sight and original of this Letter of Credit and all amendments thereto, accompanied by your signed statement on your letterhead stating that you are in receipt of Branch Banking and Trust Co. Notice of Non-renewal under Letter of Credit No. 9540904550-00001, and the applicant's obligation to you remains.

Whenever this Letter of Credit is drawn on under and in compliance with the terms of this credit, we shall duly honor such draft upon due presentation to us at our offices located at 950 East Paces Ferry Road, 25th Floor, Atlanta, GA. 30326.

This credit is subject to the Uniform Customs and Practice (UCP) for Documentary Credits, (1993 Revision), the International Chamber of Commerce, No. 500.


Authorized Signature
BB&T